

REPORT

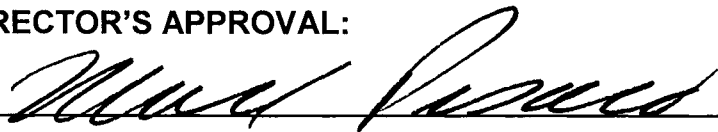
DATE: June 3, 2004

TO: Transportation & Communications Committee

FROM: Rosemary Ayala, Lead Regional Planner
Ayala@scag.ca.gov; 213-236-1805

RE: Draft 2004 Regional Transportation Improvement Program (RTIP)

EXECUTIVE DIRECTOR'S APPROVAL:



RECOMMENDED ACTION:

Approve staff recommendation to release the Draft 2004 RTIP for public review and comments.

BACKGROUND:

SCAG is the designated Metropolitan Planning Organization (MPO) [under Federal law] and the multi-county designated transportation planning agency (under State law) for the six-county Southern California region. SCAG is responsible for developing the Regional Transportation Improvement Program (RTIP) in cooperation with the State (Caltrans), the county transportation commissions and Imperial Valley Association of Governments, and public transit operators.

The Draft 2004 RTIP is in the final stages of development and is scheduled for release on June 18, 2004, for a 30-day public review and comment period. During the public review period there will be 7 public hearings conducted, one in each county and one at the SCAG offices on July 15, 2004. The Draft 2004 RTIP will be posted on the SCAG web-site as well as distributed to over 45 libraries throughout the region. This committee is scheduled to approve the 2004 RTIP in the July/August timeframe and the Regional Council is scheduled to approve the program on August 5, 2004.

The 2004 RTIP is composed of over 1900 projects and is programming approximately \$19 billion in fiscal years FY 2004/2005 to 2009/2010. Development of the RTIP involves constant communication with the county commissions and Imperial Valley and staff continues to work with them to finalize the draft RTIP. Therefore, the figures presented in the following table will change.

REPORT

COUNTY	TOTAL # OF PROJECTS PROGRAMMED	AMOUNT PROGRAMMED (in \$000s)
IMPERIAL	40	\$ 296,295
LOS ANGELES	861	\$6,900,465
ORANGE	209	\$5,868,257
RIVERSIDE	196	\$1,746,811
SAN BERNARDINO	405	\$3,491,599
VENTURA	213	\$ 534,840
GRAND TOTAL	1,924	\$18,838,267

In order for the Regional Council to approve the 2004 RTIP the program must meet the following requirements:

- Consistency with the 2004 Regional Transportation Plan
- Pass the Regional Emissions Test
- Financial Constraint
- Timely Implementation of Transportation Control Measures (TCM's)
- Interagency Consultation & Public Involvement

Currently, staff is conducting the various analyses associated with these requirements and will update you at the meeting on its findings. However, in regards to the financial constraint requirement there is an issue that staff would like to bring to your attention. The issue is in regards to Congestion Mitigation Air Quality (CMAQ) and Local Surface Transportation Program (STPL) funds.

The Federal Highway Administration (FHWA) states that federal regulations do not allow for the programming of any carryover CMAQ and STPL funds. Based on this interpretation of the regulations FHWA has stated that a region may only program a yearly apportionment as opposed to a yearly apportionment plus prior year carryover funds.

Previously, the SCAG region was able, to program carryover CMAQ and STPL funds into future years. However, Caltrans informs us that this practice was due to the flexibility allowed through the high state cash reserve. Since the state no longer has a high cash reserve the flexibility in managing the Federal State Transportation Improvement Program (FSTIP) no longer exists. MPOs must now in the 2004 RTIP

program these federal funds within their yearly apportionment levels.

Therefore, a county commission who was reserving CMAQ or STPL funds to program on large ticket projects in essence has lost these funds. In addition, projects are not always delivered in the year programmed due to a variety of reasons such as environmental or right-of-way issues. These delayed projects are then carried forward into a subsequent year. However, if this practice continues, it will limit the programming capacity of new projects.

SCAG, the commissions and Imperial met to discuss this issue and drafted a letter that was transmitted to Caltrans on April 28, 2004. Caltrans response basically states that if the SCAG region programs carryover CMAQ and STPL funds they will not approve the SCAG 2004 RTIP (letters attached).

In addressing this issue the state and federal agencies suggest that an MPO consider the following options:

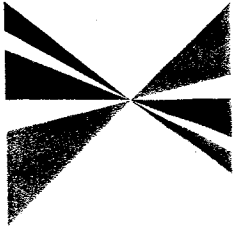
- Counties reprogram their projects and push them out into future fiscal years.
- Counties within the SCAG region may enter into an agreement to borrow funds from one another.
- Counties may borrow from another region within California or from Caltrans.

SCAG, the county commissions and Imperial Valley are working very closely to address this issue. However, it could potentially cause the SCAG region not to meet the financial constraint requirement.

This is not only an issue for the SCAG region but for all of California. Staff will keep you apprised of any developments.

FISCAL IMPACT: No fiscal impact. Budget for the RTIP work is included in the current budget.

SOUTHERN CALIFORNIA



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Ventura County: Judy Mikels, Ventura County • Glen Becerra, Simi Valley • Carl Morehouse, San Buenaventura • Toni Young, Port Hueneme

Orange County Transportation Authority: Charles Smith, Orange County

Riverside County Transportation Commission: Robin Lowe, Hemet

Ventura County Transportation Commission: Bill Davis, Simi Valley

April 28, 2004

Mr. Jim Nicholas
Department of Transportation
P.O. Box 942873
Sacramento, CA 94273-0001

ATTN: Rachel Falsetti

Dear Mr. Nicholas: *Jim*

The Southern California Association of Governments (SCAG) is finalizing the revenue assumptions for the 2004 Regional Transportation Improvement Program (RTIP) financial plan. Two of the revenue assumptions are discussed in this letter.

One of the revenue assumptions in the plan is the ability to utilize accumulated apportionments from federal Regional Surface Transportation Program (RSTP), Congestion Mitigation Air Quality (CMAQ) and Regional Transportation Enhancement Activity (R-TEA) funding programs that have yet to be used by the six county SCAG Region. This accumulated apportionment represents additional funding beyond the estimated amounts provided in your April 2, 2004 letter to Metropolitan Planning Organizations.

This accumulated apportionment approach is consistent with the Caltrans procedure used in previous years. The Federal Highway Administration allows the state to manage the Obligation Authority by the State utilizing OA for state projects when regions as a whole cannot obligate their share of available OA and vice versa. This procedure ensures that OA balances are obligated at the end of the federal fiscal year and is consistent with the Federal Highway Administration's policy that allows states to manage the Obligation Authority.

Caltrans in effect has managed OA reserves and deficits for regions over time to provide a level of flexibility while ensuring equity in the apportionment of funds. This process has served California well by recognizing and providing for variations in statewide funding needs.

DOC #98159

Letter to Mr. Jim Nicholas
April 28, 2004
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Utilizing accumulated funds is also consistent with the statutes and "Guidelines for Implementation of the Timely Use of Funds Provisions of AB1012" which provides up to three years to obligate apportioned funds.

SCAG is proceeding with the development of its financial plan based on the procedures/assumptions described above. The six counties in the SCAG region have transmitted their 2004 county TIPs to SCAG and are programming accumulated apportioned funding in addition to the Caltrans estimated federal funds for fiscal years 2004/2005 through 2006/2007.

Second, the SCAG region has programmed unallocated Traffic Congestion Relief funded projects in the third year of the 2004 RTIP. The allocated funds were not moved to the third year. It is important that the legislature know the importance of continuing the funding for TCR funded projects especially those currently under construction.

In addition, this letter is not intended to address the State Department of Finance's proposal to generate \$800 million for the State General Fund by shifting to an Advance Construction approach for federal RSTP and CMAQ encumbrances. SCAG and its member agencies remain reticent to agree to an encumbrance method that does not benefit transportation and has not been agreed to by any other Regional Transportation Planning Agency. SCAG and its member agencies are therefore still evaluating options in this regard and do not wish to in anyway imply that we are agreeing to the State Department of Finance's encumbrance proposal.

SCAG looks forward to meeting with you to discuss these revenue assumptions should Caltrans feel it necessary. If SCAG does not hear from you by May 5, 2004 we will assume that Caltrans does not have any issues with these assumptions. Please call Rosemary Ayala of my staff at (213) 236-1927 should you have any questions or would like additional information.

Sincerely,



Hasan Ikharata
Director of Planning and Policy

cc: Muhaned Aljabiry, Caltrans HQ
County Transportation Commissions
Imperial Valley Association of Governments

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*Flex your power!
Be energy efficient!*

May 5, 2004

Mr. Hasan Ikharata
Director of Planning and Policy
Southern California Association of Governments
818 West Seventh Street, 12th Floor
Los Angeles, California 90017-3435

Dear Mr. Ikharata:

Pursuant to your letter dated April 28, 2004, and the follow-up telephone conversation between Muhaned Aljabiry and Rosemary Ayala on May 3, 2004, this letter will confirm our concerns regarding your assumptions for programming of Federal Funds in the Southern California Association of Government's (SCAG) Federal Transportation Improvement Program (FTIP).

The United States Code of Federal Regulations, Title 23 (CFR) requires that the FTIP be financially constrained by year. The FTIP must include a financial plan that demonstrates which projects can be implemented using current revenue sources and which projects will be implemented using proposed revenue sources. The CFR also requires that projects included for the first two years of the FTIP shall be limited to those for which funds are available or committed. In addition, federal regulations require that the federal funds identified in the FTIP shall not exceed the apportionment levels (which traditionally exceed the Obligation Authority, (OA)) for each year of the Federal Statewide Transportation Improvement Program (FSTIP).

As you are aware, the United States Congress typically provides the OA limits at approximately ten percent less than the annual apportionment levels. The OA level is the amount of funding that can be obligated on projects in a year. Apportionments above the OA level are not available to be obligated in that year and, therefore, significant programming above that level would not provide more funding capacity as there would be no available OA. Programming at the apportionment level provides ten percent flexibility over your OA level to accommodate cost increases and project adjustments. While the un-obligated apportionments remain available for use up to three years, OA is only available for the current year.

Recently the Department provided estimated apportionment levels for the Congestion Mitigation and Air Quality program (CMAQ), and the Regional Surface Transportation Program (RSTP) to MPOs for the Federal Fiscal Years (FYs) 2003/04 through 2006/07. These estimates were based on a fifteen percent increase in the federal apportionment level for 2003/04 and include a two percent inflation factor for each subsequent year. This would enable MPOs an additional programming capacity for developing their 2004 FTIPs.

The Federal Highway Administration (FHWA) has informed the Department that if the FSTIP includes a region's FTIP which identifies federal funds programmed above the apportionment levels in any given year, the FHWA will not approve the FSTIP. The Department, consistent with the FHWA instructions, will return any FTIP that is not financially constrained, as defined in the CFR, that includes programming above the apportionment levels by year.

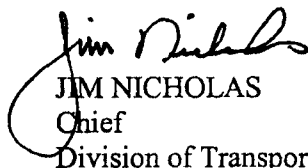
In earlier FSTIP programming cycles, the Department had a relatively high "state" cash reserve in the State Highway Account. This provided the Department flexibility in managing the FSTIP by substituting over programmed federal funds with state cash and demonstrating financial constraint on the FSTIP at a statewide level. Now that the SHA cash balance has been reduced, this flexibility no longer exists.

Additionally, in prior years there was significant OA left un-obligated by some local agencies to allow the Department flexibility in managing these OA reserves and accommodate the use of "roll over" apportionments from previous years for other local agencies. Since the enactment of AB 1012, local agencies delivery has improved greatly, eliminating the Departments flexibility in managing OA on a statewide level.

We would like to note that the Department is not implementing new policy as far as programming of federal funds in the FTIP is concerned, but merely complying with Federal Regulations. These are challenging financial times in California, especially for Transportation and we must all partner together to get through these difficulties. The department is actively pursuing innovative solutions to solving and funding our transportation needs, and encourages you to join in this effort.

If you have any questions, or would like further discussion, please call me at (916) 654-4013, or Muhaned Aljabiry of my staff at (916) 654-3521.

Sincerely,



JIM NICHOLAS
Chief

Division of Transportation Programming

- c: Los Angeles County Metropolitan Transportation Authority
- Orange County Transportation Authority
- Riverside County Transportation Commission
- San Bernardino County Transportation Commission
- Ventura County Transportation Commission
- Imperial Valley Association of Governments
- Douglas Failing, Caltrans District 7
- Ann Mayer, Caltrans District 8
- Pedro Orso-Delgado, Caltrans District 11
- Sandra Balmir, FHWA
- Sue Kiser, FHWA
- Ray Sukys, FTA